Testimony of Connecticut Fund for the Environment
Before the Transportation Committee

In support of PSB 626, ACC INCENTIVES FOR TRANSIT-ORIENTED DEVELOPMENT

Submitted by Chris Cryder
Coordinator, Growing Connecticut Around Transit
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Connecticut Fund for the Environment works to protect and improve the land, air and water of Connecticut. We use legal and scientific expertise and bring people together to achieve results that benefit our environment for current and future generations.

Dear Senator Maynard, Representative Guerrera, and members of the Transportation Committee,

Connecticut Fund for the Environment, and its workgroup Growing Connecticut Around Transit (GCAT), submits this testimony in support of Proposed SB 626, An Act Concerning Incentives For Transit-Oriented Development. GCAT is a coalition of developers, business councils and associations, chambers of commerce, regional planning agencies, councils of government, municipalities, and non-profit housing, transportation, and environmental organizations.

The concepts in this legislation would provide the basis to create innovative funding and incentive strategies that would catalyze and enable transit-oriented development around our mass transit hubs.

Transit-oriented development (TOD) is a proven economic growth and environmental protection strategy that combines mixed-income housing, employment, amenities, and recreational opportunities within close proximity to our transit stations.

With the addition of *CTfastrak* and the New Haven –Hartford – Springfield Rail Project to our existing transit network, Connecticut has an unparalleled one-time opportunity to reshape the way we connect to each other and to the region, create jobs, boost the economy, and wisely develop our communities for the 21st century. We must act swiftly to fully leverage the federal and state investments in intercity rail and bus rapid transit to generate TOD that will support and spur economic growth.

The state has taken strong initial steps to move forward with transit-oriented development. In 2011, the state awarded $5 million in transit-oriented development planning grants to 11 municipalities. These grants will fund much-needed analysis and planning for transit-oriented development around the municipalities' transit stations. Recent brownfield remediation awards gave priority to certain TOD projects. Key agencies have combined resources and have been initiating pilot programs to identify needs of communities poised to benefit from TOD and direct the state's resources accordingly. Moreover, in December 2012, Governor Malloy announced the creation of an interagency workgroup to address the transit-oriented development needs of the state. This new workgroup will be tasked with strategically planning for transit-oriented development while in a tight fiscal climate.

With limited resources and nearly fifty transit stations with existing or pending service, the state must strategically identify priorities for partnership and investment with municipalities and the private development sector to ensure that short-term growth, economic stimulus and job creation are achieved.

Over the past year, the Growing Connecticut Around Transit workgroup has developed two key financial recommendations for assisting TOD growth:

- Identify and prioritize Transit Communities to be supported, and;
- Prioritize and direct existing (and eventually new) state resources toward legitimate, well-planned TOD projects in selected Transit Communities

Currently, federal funding makes up 64 percent of the state's 2010-2014 transportation capital improvements program. The state's highway and bridge program is 67 percent supported by federal investment and the transit program is 62 percent supported by the federal government. If Connecticut is going to be successful in upgrading its transit system and making the necessary investments to enable TOD, new and innovative local funding and incentive strategies will be necessary. The following options are being utilized around the nation:

- **Value Capture**: a variety of strategies are being used in transit station areas to recoup some of the value added to communities resulting from transit investments. Through transfer fees, tax increment financing, joint development, or other mechanisms, value capture can provide a continuous revenue stream that would fund up-front investments in station areas and enable Connecticut's public sector to reap some of the benefits of its investments.
- **Bonding:** as the state has done in the past, we can continue to capitalize on our favorable bond rating to borrow money for investment against either our general revenue or against a modest, annual increase in the gas tax set to begin two or three years from now as the economy recovers. Bonding can be used to make strategic investments in soft and hard infrastructure that lays the foundation for private sector development in TOD transit communities. This investment can be tied to value capture that perpetuates this funding source as a partial revolving loan to realize potential at multiple station areas.
- **Regional revenue**: metropolitan regions across the country, as diverse as Denver, Los Angeles, and New York, have enacted regional revenue streams dedicated to supporting transit expansion that can be leveraged with bonding to complete decades worth of investments within ten years. The regional revenue sources can include taxes on sales, payroll, hotels, or any number of other revenue streams.
- **Road pricing:** congestion pricing or tolling can be linked to road improvements, freeing up capital for transit, or it can be directly tied to congestion mitigation and used to fund transit enhancement and the creation of walkable communities as a mechanism to avoid highway usage.
- **Tax Credits:** for example, New Jersey's Urban Transit Hub Tax Credit Act has helped to keep and attract jobs to transit-accessible locations in Newark and Trenton. The law created tax credits for businesses that build or lease offices and create jobs near urban train stations. In order to be eligible, businesses were required to employ at least 250 people and invest in a facility within a half-mile of rail stations.

We believe the concepts in SB 626 can provide the necessary foundation to develop a creative and flexible package of financing, revenue enhancement, and incentive options for TOD, which will ultimately lead to making our transit communities more vibrant, livable, walkable, and sustainable. To be successful, the effort must be done in close coordination with towns, businesses, housing providers, state agencies and, of course, the legislature. We are happy to assist in this task.

In addition to SB 2, we are in support of SB 191, AAC the Penalty for Causing Harm to a Vulnerable User of a Public Way. Careless drivers injure thousands of vulnerable users in the United States every year. In Connecticut alone, 135 pedestrians and cyclists were killed from 2008 to 2010. Yearly, approximately 1,500 vulnerable users sustain injuries as well. This bill would tap into a national movement to hold careless drivers responsible for their actions. Additionally, when paired with TOD, it would strengthen the movement to create more livable, walkable communities in the state.

For your review, I am attaching a TOD case statement prepared by the Regional Plan Association which provides more in depth information about transit-oriented development and ways to plan for it around the state. Also, attached is an article by the Tri-State Transportation Campaign about New Jersey's Urban Transit Hub Tax Credit program.

Thank you for your time and consideration.

Sincerely,

Chris Cryder
Coordinator, Growing Around Connecticut
Connecticut Fund for the Environment, Inc.
142 Temple St. 3rd Floor
New Haven, CT 06510
t: 203.787.0646 f: 203.787.024
ccryder@ctenvironment.org

NJ's Urban Transit Hub Tax Credit Paying Off
by **Tri-State Transportation Campaign**

Transit and freight rail can be powerful tools for development. Seeking to maximize those tools, NJ in 2008 established the Urban Transit Hub Tax Credit, which provides tax credits for businesses that use freight rail and those that develop housing, plan large expansions, or relocate within a half-mile of transit hubs in nine cities.

The Teachers Village project in Newark, which is receiving an Urban Transit Hub Tax Credit, has been praised as an example of quality architecture "for the people" by NY Times critic Nicolai Ouroussoff.

According to data received from the NJ Economic Development Authority, the state has approved credits worth $352 million for nine projects in Newark, Elizabeth, New Brunswick, and Jersey City. NJEDA says these will lead to **$910 million in capital investment** and create 1,409 new permanent and 3,816 construction jobs, and retain 2,018 jobs. The tax credit has also become central in New Jersey's efforts to keep Panasonic's US headquarters in the state.

Four of the approved credits are going to projects in Newark. These include the planned "Teachers Village" near Broad Street station, which would include three charter schools, 60,000 square feet of retail and workforce housing for teachers. A market-rate condominium development on Rector Street will also benefit. And the credit will be "critical" to One Theater Square, a 44-story mixed-use tower with market-rate and artist housing that is planned across the street from the NJ Performing Arts Center, according to developer Dranoff benefited from the freight provision of the program, according to William O'Dea, Deputy Executive Director of the Elizabeth

Development Company. "It's made a very notable difference on freight rail," O'Dea told *MTR*. "It's been the difference between Wakefern [Food Corporation] leaving the state and staying." Wakefern received a credit late last year to expand its food distribution operations in Elizabeth and Newark, creating 500 new permanent Properties.

Nearby Elizabeth has jobs and over 800 construction jobs.

O'Dea added that the program had inspired the city to explore other ways of using transportation to drive redevelopment. He suggested that if a major office tenant came to the area around Broad Street Elizabeth station, a logical next step could be an east-west dedicated busway connecting to nearby destinations.

Now in its third year, the Urban Transit Hub Tax Credit has clearly helped build a critical mass of development in Newark and other cities. It could be a worthy model for other states looking to use existing and planned transit services to drive urban redevelopment.

Image: Photo simulation from Richard Meier & Partners and Tekten in NY Times.

Growing Connecticut Around Transit:

a working group of Transit for CT

Leveraging Transit-Oriented Development for Economic Growth in Connecticut

A case statement prepared by Regional Plan Association
October 2011

Transit-oriented development is an economic growth strategy that combines housing, employment, amenities, and recreational opportunities within close proximity to our transit stations. By doing so, Connecticut could create a housing and commercial supply that meets the demands of the 21st century, adds value to the communities it is located in, and raises the quality of life for the residents of the state.

<u>The Opportunity</u>
With a robust and growing transit network, Connecticut has an unparalleled opportunity to create jobs and develop our communities for the 21st century. There is a need for the state to help communities across Connecticut overcome the complexities of infill development, brownfield remediation, mixed-use, and mixed-income communities. With strong partnerships between state agencies and local governments, we can capitalize on our greatest asset -- hundreds of acres of developable land within walking distance of our transit stations that can meet the demands of competitive businesses and a diverse population.

RECOMMENDATION: Leverage more than $1.5 billion in federal and state investment in intercity rail and bus rapid transit to generate transit-oriented development to support and spur economic development.

<u>TOD Benefits for Connecticut</u>
Investment in TOD in Connecticut would not only spur economic growth around the state but would also bring many more benefits:

- Vibrant, mixed-use, and walkable communities align with the demands of the the young, dynamic knowledge workforce composed of millennials and Gen X-ers that Connecticut needs for economic growth but has been unable to attract or retain.
- Greater supply of apartments, condominiums, townhouses, and higher density developments would lower housing costs near employment centers and create an opportunity for young professionals, new families, and empty nesters to meet their changing housing needs. This would serve to maintain the value of the existing nearly one million single-family houses across the state by creating a "household incubator."
- Households located within walking distance of transit own fewer cars, drive less, and ultimately *save money* by spending less of their income on transportation-related expenses, reducing impact on local roads and freeing up disposable income.
- Directing developments toward higher density communities with a strong sense of place would prevent sprawl and preserve and restore natural resources and the New England landscape that are central to Connecticut's high quality of life.
- Commercial spaces located within close proximity to rail stations and reliable service to Manhattan are necessary to attract and retain certain high-paying private sectors in the state; this preference is demonstrated by recent locational decisions and rising commercial lease rates in the station areas of the region.

- Access to transit hubs would increase the amount of transit riders, adding revenue to the state's system and increasing efficiency of the system by making better use of trains that are already running. It also would lend support to additional and more frequent service, which would increase ridership further and reduce the state's greenhouse gas emissions from the transportation sector.
- By including green infrastructure, low-impact development practices, energy efficient buildings, and distributed and renewable power generation, TOD can repair the local ecology and environment.

State-Regional-Local Partnership Strategy for TOD in CT

Connecticut needs a mechanism at the state level to prioritize investments and to build the knowledge base at the regional and local level on how to achieve TOD.

How can Connecticut prioritize opportunities for transit-oriented growth?
With limited resources and nearly fifty transit stations with existing or pending service, the state must strategically identify priorities for partnership and investment to ensure that short-term growth, economic stimulus and job creation are achieved. Three analyses are necessary to maximize the payback from state investment in TOD.

1. **Determine the physical capacity for transit-oriented development at each station area.** Focusing on surface parking lots, vacant sites, and underutilized parcels, the amount of development that could be accommodated at each site can be calculated. Assumptions would be made about the mix between commercial, residential, retail, and institutional space and the densities that would be feasible given neighborhood context. The ultimate amount of development at each station would be constrained by existing infrastructure capacity (e.g. sewer and water).
2. **Determine the demand for transit-oriented housing units and commercial space.** Regional demographics, employment sector composition, travel times to job centers, and other factors all influence the potential demand for station area development. Some station areas have short-term demand as evidenced by ongoing market-rate development activity; others have longer-term demand or have latent demand that cannot be realized until other infrastructure investments are made.
3. **Identify infrastructure investments that are best suited to maximize demand at locations where physical capacity for transit-oriented growth is greatest.**

What is the state's role in partnering with communities to achieve results?
Connecticut's rail communities fall into two very clear categories: small-scale and large-scale. The role for the state government in helping each realize their TOD potential is different. Most of the state's station areas are located in suburban and exurban towns where the land use mix would be predominantly residential with supportive retail and office, anchoring each one's town center. A handful of the state's station areas are primary job centers with anchor institutions, corporations, and high-density housing and have significant opportunity for transformative redevelopment totaling hundreds of acres. Each meets complementary needs of the state; different strategies of state engagement would unlock their potential.

- **For smaller-scale, predominantly residential TOD**, a Transit Village technical assistance program can leverage limited grant money to give municipalities the tools they need to position their most valuable parcels (around their transit stations) for economic development. This program, modeled after the New Jersey initiative and an expansion of Connecticut's TOD pilot program, would be built on the following principles:

- Planning grants to enable municipalities to identify TOD opportunities particular to their community;
- Technical assistance teams composed of representatives from multiple state agencies so that issues are dealt with early in the collaborative planning process and permitting and review is streamlined to ease development; and
- Incentives that mobilize additional state resources aligned across agencies to support the state TOD strategy to those communities that create feasible TOD plans and reach consensus in identifying priorities with state agency technical assistance teams.

- **For larger-scale TOD** that represent the state's greatest opportunity to reposition itself for significant growth in sustainable communities over the coming decades, a comprehensive strategy is necessary that aligns state resources to unlock the substantial potential of these locations. In each of the state's primary job centers, there still exists a redevelopment opportunity ranging in scale from approximately 100 to 750 acres that would require a concerted effort to capitalize on.
    - Teams of state agency representatives from DECD, DOT, DEEP, OPM, Education, and other departments with programs necessary to reposition these locations for growth composed to focus on aligning state programs and investment in a place-based strategy;
    - Planning grants to enable zoning to be updated that makes infill redevelopment at feasible densities as-of-right, brownfield remediation plans to be completed, infrastructure preliminary engineering to be designed, and social services (e.g. education, safety) strategy to be developed that prepare these areas for investment;
    - Marketing strategy that articulates the collective opportunity embodied in these locations as a coherent statewide strategy for growth that emphasizes each locations unique strengths and stitches the multiple opportunities together into a package for investment; and
    - State bonding or mobilization of other state resources to make strategic investments in soft and hard infrastructure that lays the foundation for private sector investment in these redevelopment areas; investment tied to value capture that perpetuates this funding source as a partial revolving loan to realize potential at multiple station areas.

Financing Transit Enhancements and Infrastructure Supporting TOD

Federal funding currently makes up 64 percent of the state's 2010-2014 transportation capital improvements program. The state's highway and bridge program is 67 percent supported by federal investment and the transit program is 62 percent supported by the federal government. If the state is going to be successful in upgrading its transit system and making the necessary investments to enable TOD, new and innovative local funding strategies would be necessary. The following options are being utilized around the nation:

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